



# Child Care

## 2009 Legislative Report

from the Vermont Child Care Advisory Board

### *Roads and Bridges and Children*

## Infrastructure Means More Than Roads and Bridges

The talk about investing in infrastructure has centered on rebuilding roads and bridges, or significantly expanding renewable energy systems. ***We should be building up our intellectual and social infrastructure as well as the physical.*** Both are crumbling.

The early childhood infrastructure that builds the most important resource — human capital — exists to make sure that ***all*** our children have the opportunity to succeed. For more families than ever, these are stressful times. Studies have shown a direct correlation between increases in unemployment and increases in child stress levels, abuse and neglect. When a child experiences chronic or extreme stress, the brain releases chemicals that prevent neurons from growing and forming connections with each other—which in turn inhibits the development of healthy brain architecture. Children's brains develop rapidly when they are young and we now know that a child's environment affects that crucial early brain development.

While difficult budget choices must be made during this painful recession, it is wrong to sacrifice the future of today's children. Unlike Vermont's roads and bridges, with our children we cannot go back to rebuild or repair.



## Vermont's Child Care Advisory Board

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**To:** William P. Russell, Chief Counsel

**From:** Maureen Danielczyk, Jackie Sprague

**Date:** January 15, 2009

Enclosed is the 2009 Legislative Report from the  
Child Care Advisory Board.

**CC:** Governor James Douglas; Rob Hofmann, Secretary, AHS;  
Steve Dale, Commissioner, DCF; K.C. Whiteley, Acting Deputy  
Commissioner, DCF; Child Care Advisory Board Members.

The Child Care Advisory Board is a Governor-appointed board charged with advising and assisting the Child Development Division of the Vermont Agency of Human Services. As required by statute, our duties also include submission of an annual report to the Legislature on the status of and needs for improvement to Vermont's child care system. The Child Development Division (CDD) is the state agency charged with improving the well being of Vermont's children by ensuring safe, accessible and quality services are available for every child. When federal funds are provided to states for these purposes, CDD administers such funds.

## The Vermont Child Care System: A Shared Responsibility

It costs money to create and sustain a child care environment that promotes healthy brain development. This is a responsibility shared by families, communities, and government. When communities can make quality child care services available to families, they help to lay a solid foundation for a child's social, emotional, communication, physical and intellectual development. Good environments and positive interactions help create optimal brain development. A child with this solid foundation will be an engaged and contributing member of their community and economy.

Child care advocates and parents have worked hard to prop up the system as volunteers and fundraisers, but support falls far short of the need. The current economic recession highlights the weakness of ad hoc private sector efforts as half way through the year communities find their private scholarship funds for needy families exhausted. Many believe that without a commitment to shared responsibility and a coordinated private-public partnership to leverage every effort, the child care system is unsustainable. One encouraging

sign is the \$7.3 million FY 2010 funding increase for the Early Care and Education Initiative proposed in the Governor's budget. Still, the child care system is crumbling.

### The Child Care System: A Snapshot\*

Number of children served through subsidy/year : 7,500

Number of families served through subsidy/year: 5,100

Number of center and family home providers: 1,850

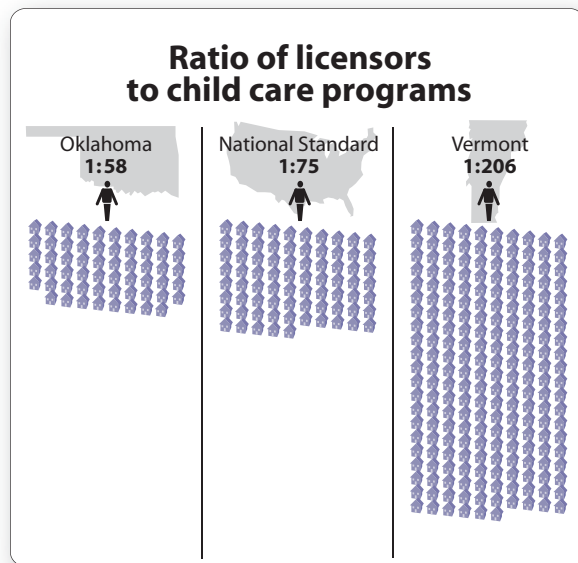
\* Estimated annual averages. Numbers vary month by month as families move in or out of subsidy eligibility. Legally exempt child care providers not included.

### Licensing: The Foundation

Licensing is the first line of protection for children in child care programs. **Vermont's current ratio for licensors-to-child care programs represents a dangerous situation that puts children at considerable risk of harm.** The national standard for the licensor-to-child

care programs ratio is 1:75. Vermont's current ratio for centers and family home providers is 1:206. (This ratio does not include legally exempt child care providers, known as LECCs.)

Adequate staffing to implement periodic monitoring inspections is widely recognized as a key component of safety and quality. Oklahoma, a rural state with a significantly higher poverty rate than Vermont, has maintained a licensor-to-child care program ratio of 1:58 for years. Oklahoma now stands among the best in the nation for multiple school readiness measures. Vermont's ratio, while never good, is now deteriorating rapidly. The number of licensors has remained the same as parents struggling in this economic environment increasingly move their children to LECCs — the least expensive and least regulated. Staffing to handle licensing must be adequate, not only to implement periodic monitoring inspections and provider background checks, but also to enable prompt follow-up to complaints against programs.



Sources: U.S. Department of Health and Human Services' National Child Care Information Center (NCCIC) and the National Association for Regulatory Administration (NARA) 2005 Child Care Licensing Study; National Women's Law Center, Lessons from the Military for our Nation Improving Child Care, 2004 A Follow-Up Study.

“Building Bright Futures brings child care centers and the community together in an unbiased way, which means more people are involved in the process. Without BBF's coordination, everything is slower, more fragmented, inefficient.”

~Jody Marquis,  
Creative Minds, Children's Center,  
Newport Center

## Building Bright Futures: A Cornerstone



In Vermont, a cornerstone of the early childhood infrastructure is a public-private partnership known as Building Bright Futures.

As a public-private partnership, Building Bright Futures links community-based planning and program development with a state-level Council charged with creating an integrated system of services for families with children under the age of six. The nineteen-member Building Bright Futures State Council includes the heads of state agencies serving young children as well as business and community leaders. Building Bright Futures evolved from over a decade of dedication and vision, and currently exists under an Executive Order which expires June 30, 2009.

Locally, there are 12 Building Bright Futures regional councils. Their charge is to coordinate regional programs, communicate local gaps in services to the State Council and develop regional plans for coordinated service delivery to address specific Agency of Human Services outcomes for children and families. As the most visible and locally connected representatives of the Building Bright Futures public-private partnership, it is also their role to increase awareness and assist in raising funds.

Regional Building Bright Futures networks serve important roles in implementing Act 62, Prekindergarten Education, and the Agency of Human Services' Children's Integrated Services, (early intervention) program. During its first year of operation as a state and regional public-private partnership, Building Bright Futures attracted more than \$200,000 in support from the Vermont Community Foundation, as well as a commitment to “work with Vermont philanthropic leaders in the field to study needs that can be met with private dollars.”

Yet the State approved a budget reduction plan that eliminated funding for the 12 regional Building Bright Futures councils, effective March 1, 2009, and there are indications the statewide council will be next. To the private sector, the State's premature actions send a chilling message about its reliability and trustworthiness as a partner. **Vermont should be fixing the crumbling foundation of its child care infrastructure — not pick-axing the cornerstone of local public-private partnerships for early care and education.**

# Child Care: An Unaffordable Necessity

## To Work or Not

There's a child care dilemma for parents trying to mix two full-time jobs with raising two children. Paying for two children in full-time child care has become more than a stretch for most families, it's beyond reach. Desperate, stressful thoughts swirl in parents' heads:

*I can't afford to work! Maybe one of us should quit work? Maybe we should become tag team parents who take turns taking care of the kids while one of us works day shift and one works the night shift? Maybe my neighbor could watch the kids for a few hours every day after school? Or even: Our nine-year-old Susie is an exceptionally responsible child—maybe she can watch her little brother after school every day until we get home.*

To hear Vermont parents tell their stories, visit [www.VermontCCAB.org](http://www.VermontCCAB.org)

From day shifts to night shifts, working overtime and at home, moms and dads are struggling to juggle jobs and parenting and checkbooks.

## Basic Need

For the past six years, Vermont has developed and published its Basic Needs Budgets. For a Vermont family of four with two working parents and two preschool age children (one age 3 and one age 4½), with a median household income, the cost of child care equals \$16,120† and represents 22% of the family household budget. When child care, transportation, food, housing and health care are added together, more than three-quarters (78%) of the household budget for this Vermont family of four is committed—before taxes are paid.

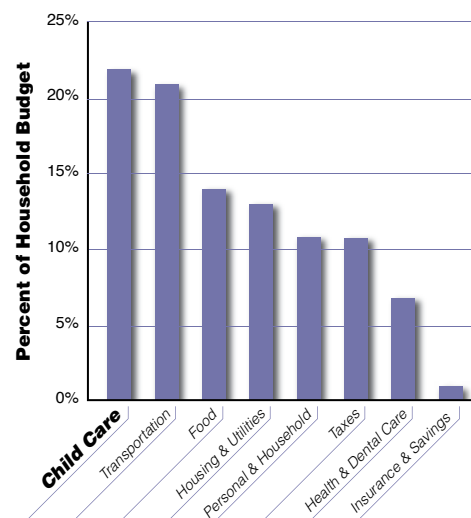
## Increasingly Desperate Need

What is a stretch for a family at the Vermont median household income becomes a desperate need for families in the lower half of income groups. A single parent who is working full-time and who has two children in full-time child care is likely to be eligible for the Vermont Child Care Financial Assistance Program (Subsidy Program). Yet despite the program's objective of ensuring that lower income families have equal access to child care and pay no more than 10% of their income for the required co-pay, there are clear indications these goals are not being met.

For a single parent earning \$13,500 a year in the hospitality industry, with two preschool age children (one age 3 and one age 4½), the cost of child care with a registered home provider is \$13,000, which before reimbursement could represent 96% of the household budget. Child care costs after

## Relative Impact of Household Budget Categories

Based on median gross income for 4-person household



Source: Vermont Basic Needs Budgets, 2007.  
Vermont 2006 Child Care Market Rates.

being reduced by the maximum child care subsidy payment still leaves a co-pay of \$3,713 or 27.5% of this single parent's budget.

If such a single parent of two children earns \$15,080 a year by working full time and earning the Vermont minimum wage—which puts them above the state's eligibility scale based on the 1999 federal poverty guidelines—the child care subsidy is reduced on a sliding scale, which has the effect of increasing their co-pay even higher.

Families determined to be ineligible for the subsidy program, or who feel their subsidy level is inadequate, may file a variance. Variance requests and other indicators of the desperate need for child care continue to escalate. Between fiscal year 2006 and fiscal year 2008, Vermont experienced a 146% increase in the number of variances requested.

Costs for child care should not exceed what families can afford. Even when quality child care is available, most families face the question of whether they can afford it. Child care expenses have become an unaffordable necessity for families in a wide range of income levels.

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† Child Development Division, statewide weekly market rate for 2 preschoolers enrolled full time at a licensed center-based program at 75th percentile, as of November 2006. For a registered home provider, the cost of child care would be \$13,000 for 2 preschoolers enrolled full time. Costs for one preschooler and one school age child would be less; Costs for an infant and a preschooler would be more.



# Closing the Gap

## Using Outdated Guidelines for State Child Care Subsidy Denies Families Access

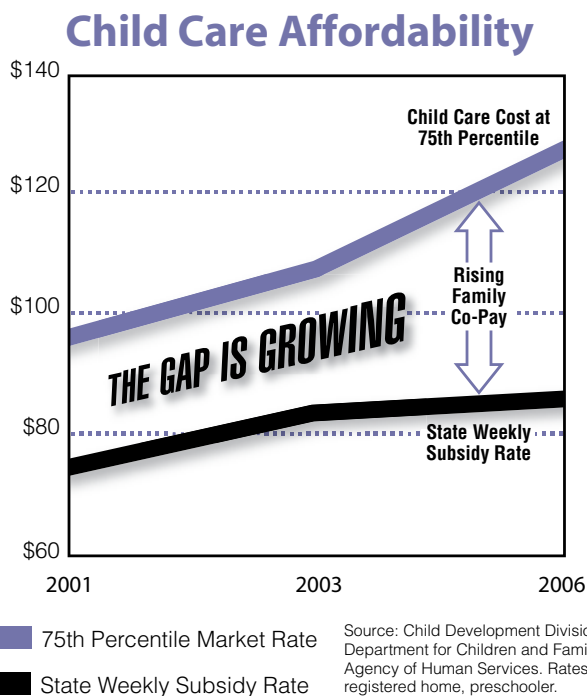
Too many struggling families are not eligible for a child care subsidy because Vermont continues to use the outdated 1999 federal poverty guidelines. For example, in 1999 a two-parent family with two children and an annual income no greater than \$37,380 was eligible for a child care subsidy. In 1999, \$37,380 was approximately 225% of the federal poverty level. In 2007, a similar family at 225% of the updated federal poverty level has an income of \$46,463. Today such a family would not be eligible for a child care subsidy because its income exceeds \$37,380. Today, this same family, earning \$37,380 or 181% of the 2007 federal poverty guideline is not eligible for any child care subsidy reimbursement, but is eligible financially for both Dr. Dynasaur and the Women, Infants and Children program. Each year Vermont does not update its child care subsidy eligibility criteria means more families are denied access to the program designed to serve them.

## The Gap is Growing Between the State Subsidy Rates and Child Care Market Rates

For the children of working parents to be in a safe learning place, lower income families and child care providers must make up the difference—or gap—between the state subsidy reimbursement rate and the market rate. Parents are financially responsible for this difference, generally termed a co-pay. The State of Vermont is losing ground. In many areas, the state subsidy child care reimbursement rates for specific types of child care are lower than the rates charged by more than half of providers in that region, that is, below the 50th percentile. The federal standard is a state subsidy reimbursement rate set at the 75th percentile.

The 75th percentile is the standard established by the federal government to assure subsidized families have access to the child care market. It means families receiving a full subsidy have financial access to at least 75% of the care in their community.

***The greater the gap between the 75th percentile and the subsidy rate, the less access families have to child care.***



## Vermont's Child Care Infrastructure

- **The State of Vermont has a legal and moral obligation to ensure our children can be in a safe learning place so their parents can work.**
- **Children, families, child care providers, our communities, and our economy are hurt when the State fails to meet its obligation.**
- **For many years, the State has been failing in its legal and moral responsibility to families in need.**
- **The \$7.3 million FY 2010 funding increase for the Early Care and Education Initiative proposed in the Governor's budget is an important first step towards closing the gap.**

# Vermont's Child Care Infrastructure is "Shovel Ready" and "Shovel Worthy"

## Advisory Board Recommendations

The changes necessary to repair Vermont's crumbling child care infrastructure are truly "shovel ready": The studies have been done, the costs are known, implementation can begin within weeks, and investments in the early childhood system flow immediately to benefit families, providers, workers, and community economies. These are economic stimulus dollars that will move quickly. If Vermont is to rebuild its economy and protect our children's future, child care needs to be viewed as an integral piece of Vermont's economic infrastructure.

## What to do:

Current Reality	Consequences	Investment Action
<i>Too many struggling families are deemed ineligible for a child care subsidy because Vermont continues to use outdated federal poverty guidelines.</i>	<i>By not setting and sustaining Vermont's eligibility criteria and child care reimbursement rates to current federal guidelines, CDD fails to support both families and providers in their struggle to survive and move towards self-sufficiency.</i>	<b><i>Immediately bring into compliance the Vermont child care subsidy eligibility criteria from 1999 to the current federal poverty guidelines.</i></b>  <b>\$9 million</b>
<i>In an attempt to help the neediest families, many child care providers accept the state's below market rate subsidy payments.</i>	<i>To make ends meet, this creates a cost shift where private pay families are paying more. The state's adjustment to reimburse child care payments at the 75th percentile will moderate this cost shift for <b>all</b> families.</i>	<b><i>Adjust the child care reimbursement rate to the 75th percentile of Vermont's market rates to comply with the federal standard.</i></b>  <b>\$14.8 million</b>
<i>Vermont is shirking its portion of the shared responsibility for our early childhood infrastructure: Additional licensor positions have not been authorized; the STARS quality program faces shortages amid rising needs; and capacity funding for 12 regional Building Bright Futures councils has been eliminated when they are needed now more than ever.</i>	<i>The child care program-to-licensor ratio is alarmingly high; provider quality improvements, Act 62, and new regulations for the STARS program are in jeopardy without human capacity; and after years of effort by the state's most visible public-private partnership and just as regional plans have been developed, the public sector has just crushed the infrastructure cornerstone of an integrated system for delivering services and leveraging limited resources.</i>	<b><i>Appropriate funding for three regionally-based licensors, maintenance of the STARS program, and appropriate support for the regional Building Bright Futures councils through June 30, 2011 to bridge the transition to a regionally based, sustainable mechanism for maintaining the early childhood infrastructure.</i></b>  <b>\$3.4 million</b>

***The Child Care Advisory Board believes that the children of working parents should not be penalized because of the high cost of child care —the stimulating, nurturing environment that builds a solid foundation should be available to every Vermont child. A desperately needed, long-deferred and substantive investment is required to adequately repair the early childhood infrastructure and transition to a future where every child may have the opportunity to succeed.***